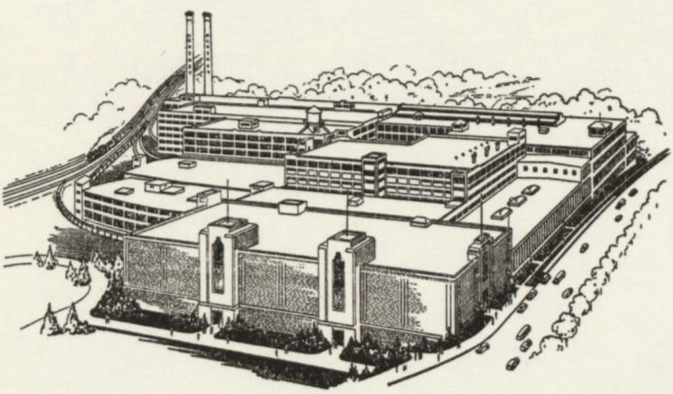
HERSHEY
CHOCOLATE CORPORATION

ANNUAL REPORT

DECEMBER 31, 1951

HERSHEY
CHOCOLATE CORPORATION
HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant

BOARD OF DIRECTORS

P. A. STAPLES, *Chairman*

J. J. GALLAGHER	L. W. MAJER
P. N. HERSHEY	W. E. SCHILLER
S. F. HINKLE	D. PAUL WITMER

OFFICERS

P. A. STAPLES, *President*

L. W. MAJER, *Secretary*

W. E. SCHILLER, *Treasurer and Comptroller*

TRANSFER AGENT

CITY BANK FARMERS TRUST COMPANY
NEW YORK

REGISTRAR

GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders of

Hershey Chocolate Corporation:

The financial statements of Hershey Chocolate Corporation at December 31, 1951, as examined by Messrs. Arthur Andersen & Co., are appended.

Dollar sales for 1951 were larger than for any other year in the Corporation's history, except the record year of 1948. Both the pounds sold and profit margin, however, were lower than for the previous year. The financial position of the Corporation remains strong with an increase in working capital over the close of the previous year.

The price of cocoa beans fluctuates widely from year to year and the high cost of this commodity was the most significant factor in the reduced profit margin in 1951. Other costs such as milk, almonds, etc., as well as labor were higher. The government price freeze also had an adverse effect on earnings until relief was granted by a general amendment of price regulations, at which time adjustments were made in selling prices to the extent advisable.

The 1951 sales amounted to $154,260,409, an increase of $5,335,417 over 1950. Only a minor portion of the 1951 sales is subject to renegotiation, and it is believed that any renegotiation refund which might be required would be insignificant. Profit for the year before providing for Federal income tax amounted to $18,481,360. The provision for Federal income tax was $9,350,000, with net profit for the year of $9,131,360. The net profit for 1950 was $13,596,492. No excess profits tax provision was required for 1951 inasmuch as the Corporation has a substantial excess profits tax base and the taxable income was somewhat less than such base.

Current assets at the close of the year amounted to $49,101,980 with current liabilities of $9,728,970. The current assets were approximately five times current liabilities, and the working capital at the year-end was $39,373,010. Over seventy per cent of the current assets consisted of inventories. The cocoa beans and cocoa bean content of goods in process and finished goods, included in such inventories, are stated at cost on the last-in, first-out basis. As indicated in previous reports it is necessary to maintain large inventories and make purchase commitments to assure an adequate supply of cocoa beans, which involves a sizeable financial risk. Because of the seasonal nature of the business substantial short-term bank loans were made during the year 1951 and similar borrowings may be required in 1952. All of such loans were repaid before the end of the year.

In order to conserve cash a two per cent stock dividend was declared on Common Stock in December 1951 instead of an extra

cash dividend, and 43,608 shares of Common Stock were issued in payment of such dividend together with a cash payment of $108,002 in lieu of issuing fractional shares. The quarterly cash dividends of $.50 a share, aggregating $2.00 for the year, were continued on the Common Stock. Quarterly dividends totaling $2.12½ per share were paid on the Preferred Stock and 10,150 shares were retired pursuant to the Preferred Stock sinking fund requirements.

During the year expenditures of approximately $2,000,000 were made for plant improvements, bringing the total over the last five years to about $10,000,000. The largest single project, which took over a year to complete, was the construction of cocoa bean storage silos. This addition to the plant, which was made to reduce the increasing cost of storage, was put in operation during 1951. A number of projects are still in progress, and certain others are contemplated for the next two or three years; however, the extent of such work will depend upon the availability of equipment and materials.

The distribution system has been greatly improved during recent years by the establishment of additional warehouses in key cities for storage and distribution of our finished products. The primary purpose of this program is to improve the service to our customers, but it has also resulted in needed relief in our refrigerated storage space at the plant in Hershey. In the last five years the number of such warehouses was increased from thirteen to twenty-four, and further additions are contemplated. These warehouses are not owned by the Corporation.

The Corporation has expanded its research facilities, both for fundamental studies of chocolate and for new process and product development, and a number of projects designed to improve manufacturing processes are under way. They involve more efficient treatment of materials and improved production methods, both of which will assure the continued uniform high quality of our products.

As a matter of general interest, thousands of people come to Hershey every year and many are conducted on an extended tour of the plant. In 1951 a new record was established with over 100,000 visitors to the factory from all parts of the world.

The cooperation of all the officers and employees, which is so essential to the continued success of the business, is gratefully acknowledged.

Respectfully submitted,

P. A. STAPLES

President

February 25, 1952

HERSHEY CHOCOL

BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash		$ 8,587,011
Accounts receivable, less reserves of $464,271		4,850,083
Inventories (lower of average cost or market, except for cocoa beans and cocoa bean content of goods in process and finished goods inventories which are stated at cost on last-in, first-out basis)		35,664,886
Total current assets		$49,101,980
PLANT AND PROPERTY, at cost:		
Land	$ 92,460	
Buildings and improvements	12,463,435	
Machinery and equipment	19,354,429	
Construction in progress	657,576	
	$32,567,900	
Less—Reserves for depreciation	16,539,025	16,028,875
DEFERRED AND PREPAID ITEMS		861,265
		$65,992,120

NOTE: The Preferred Stock is redeemable by the Corporation. During 1952 t price is $51 per share. Upon voluntary liquidation such Preferred Stock is e price and, upon involuntary liquidation, to $50 per share. Such prices and a are (with certain exceptions) conditioned upon compliance with sinking fund average of 5,075 shares of the Preferred Stock per annum.

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DECEMBER 31, 1951

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities		$ 3,035,348
Dividend payable February 15, 1952 on Series A cumulative preferred stock		129,408
Reserve for state taxes		1,156,849
Reserve for Federal income taxes	$10,393,043	
Less United States Treasury Savings Notes and tax anticipation securities	4,985,678	5,407,365
Total current liabilities		$ 9,728,970
RESERVE FOR PAST SERVICE COST OF PENSIONS		1,350,000
CAPITAL STOCK AND SURPLUS:		
Series A 4-¼% cumulative preferred stock, par value $50 per share (see Note)— Authorized 243,693 shares; outstanding 243,592 shares	$12,179,600	
Common Stock, without par value— Authorized 3,000,000 shares; outstanding 2,354,903 shares	2,471,144	
Earned surplus	40,262,406	54,913,150
		$65,992,120

optional redemption price is $52.50 per share and the sinking fund redemption led to a preferential amount equal to its then applicable optional redemption nts are plus accrued dividends. Dividends on, or purchases of, Common Stock visions requiring the Corporation to have purchased or redeemed a cumulative

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1951

PROFIT AND LOSS

GROSS SALES, LESS DISCOUNTS, RETURNS AND ALLOWANCES		$154,260,409
COST OF GOODS SOLD, SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES		135,204,049
		$ 19,056,360
PROVISION FOR INCOME TAXES:		
Federal normal and surtax (no provision required for excess profits tax)	$ 9,350,000	
Commonwealth of Pennsylvania income tax	575,000	9,925,000
Net profit for the year		$ 9,131,360

NOTE: Costs and expenses include provision for depreciation of plant and equipment in the amount of $943,202.

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1950		$ 38,090,144
ADD – Net profit for the year 1951		9,131,360
		$ 47,221,504
DEDUCT:		
Dividends—		
Dividends declared on Series A 4¼% cumulative preferred stock ($2.12½ per share)	$ 517,644	
Dividends on Common Stock -		
Cash dividends paid ($2.00 per share)	4,622,590	
2% stock dividend -- 43,608 shares recorded in common capital stock account at $39 per share	1,700,712	
Cash payments in lieu of fractional shares in connection with stock dividend	108,002	
	$ 6,948,948	
Premium of $1.00 per share on sinking fund redemption of 10,150 shares of Series A preferred stock	10,150	6,959,098
EARNED SURPLUS AT DECEMBER 31, 1951		$ 40,262,406

AUDITORS' CERTIFICATE

To the Board of Directors,
Hershey Chocolate Corporation:

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1951, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation as of December 31, 1951, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.
February 11, 1952.

HERSHEY CHOCOLATE CORPORATION

EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA

WAREHOUSES

Atlanta, Ga.	Little Rock, Ark.
Billings, Mont.	Los Angeles, Cal.
Cambridge, Mass.	Milwaukee, Wis.
Chicago, Ill.	New York, N. Y.
Cincinnati, Ohio	Oklahoma City, Okla.
Davenport, Iowa	Omaha, Neb.
Denver, Colo.	Pittsburgh, Pa.
Detroit, Mich.	Portland, Ore.
East St. Louis, Ill.	St. Paul, Minn.
Houston, Texas	Salt Lake City, Utah
Jacksonville, Fla.	San Francisco, Cal.
Kansas City, Mo.	Seattle, Wash.

SALES OFFICES

In all principal cities in the United States

HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS	MILK CHOCOLATE KISSES
ALMOND BARS	BAKING CHOCOLATE
SEMI-SWEET BARS	DAINTIES
KRACKEL BARS	BREAKFAST COCOA
MR. GOODBAR	CHOCOLATE SYRUP
MINIATURE BARS	HOT CHOCOLATE POWDER

MILK CHOCOLATE FUDGE

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS	COCOA POWDER
UNSWEETENED CHOCOLATE	CHOCOLATE SYRUP
COCOA BUTTER	MILK CHOCOLATE FUDGE